

STATE OF CALIFORNIA  
DEPARTMENT OF MANAGED HEALTH CARE  
HEALTH CARE SERVICE PLAN

**ANNUAL FINANCIAL REPORTING FORM**

Submitted on 4/28/2004 4:03:26 PM

		1
1.	FOR THE YEAR ENDING:	December 31, 2003
2.	Name:	PacifiCare Dental
3.	File Number:(Enter last three digits) 933-0	100
4.	Date Incorporated or Organized:	1979
5.	Date Licensed as a HCSP:	1979
6.	Date Federally Qualified as a HCSP:	1979
7.	Date Commenced Operation:	1979
8.	Mailing Address:	3110 Lake Center Drive, Santa Ana, CA 92804
9.	Address of Main Administrative Office:	3110 Lake Center Drive, Santa Ana, CA 92804
10.	Telephone Number:	(714) 513-6494
11.	HCSP's ID Number:	95-2797931
12.	Principal Location of Books and Records:	3110 Lake Center Drive, Santa Ana, CA 92804
13.	Plan Contact Person and Phone Number:	Elizabeth Hays (714) 226-3106
14.	Financial Reporting Contact Person and Phone Number:	John Burch (714) 226-3873
15.	President:*	Jerome Vincent Vaccaro, M.D.
16.	Secretary:*	Joseph Samuel Konowiecki
17.	Chief Financial Officer:*	Chris D. Boles - VP, Finance
18.	Other Officers:*	Claire Louise Hannan - Vice President
19.		Gregory Winfield Scott - Treasurer
20.		
21.		
22.	Directors:*	Bradford Alan Bowlus
23.		Pam Song Goetz
24.		Jerome Vincent Vaccaro, M.D.
25.		
26.		
27.		
28.		
29.		
30.		
31.		

The officers listed on lines 15 through 17 of the health care service plan noted on line 2, being duly sworn, each for himself or herself, deposes and says that they are the officers of the said health care service plan, and that, for the reporting period stated above, all of the herein assets were the absolute property of the said health care service plan, free and clear from any liens or claims thereon, except as herein stated, and that these financial statements, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said health care service plan as of the reporting period stated above, and of its income and deductions therefrom for the period reported, according to the best of their information, knowledge and belief, respectively.

32.	President	Jerome Vincent Vaccaro, M.D.
33.	Secretary	Joseph Samuel Konowiecki
34.	Chief Financial Officer	Chris D. Boles - VP, Finance
* Show full name (initials not accepted) and indicate by sign (#) those officers and directors who did not occupy the indicated position in the previous statement.		
35.	Check if this is a revised filing, and complete question 6 on page 2: <input type="checkbox"/>	
36.	If all dollar amounts are reported in thousands (000), check here: <input type="checkbox"/>	
<div>Check My Work.</div>		

STATE OF CALIFORNIA  
DEPARTMENT OF MANAGED HEALTH CARE  
HEALTH CARE SERVICE PLAN  
  
**ANNUAL FINANCIAL REPORTING FORM**  
  
**SUPPLEMENTAL INFORMATION**

	1
1. Are footnote disclosures attached with this filing?	Yes <input type="button" value="▼"/>
2. Is the attached reporting form filed on a consolidated or combined basis? If "Yes", the plan is required to file consolidating or combining schedules.	No <input type="button" value="▼"/>
3. Is the plan required to file additional information (i.e. parent/affiliate financial statements, claims reports, etc.) that is required by the Department?	Yes <input type="button" value="▼"/>
4. Are there any significant changes reported on claims Schedule G, Section III?	No <input type="button" value="▼"/>
5. If "yes", describe:	
6. If this is a revised reporting form, what is/are the reason(s) for the revision?	

## STATEMENT AS OF 12-31-2003 OF 933-0100 PacifiCare Dental

## REPORT #1 ---- PART A: ASSETS

1	2
<b>CURRENT ASSETS:</b>	Current Period
1. Cash and Cash Equivalents	15,876,480
2. Short-Term Investments	
3. Premiums Receivable - Net	545,323
4. Interest Receivable	
5. Shared Risk Receivables - Net	
6. Other Health Care Receivables - Net	304
7. Prepaid Expenses	188,139
8. Secured Affiliate Receivables - Current	120,212
9. Unsecured Affiliate Receivables - Current	
10. Aggregate Write-Ins for Current Assets	340,004
11. TOTAL CURRENT ASSETS (Items 1 to 10)	17,070,462
<b>OTHER ASSETS:</b>	
12. Restricted Assets	50,000
13. Long-Term Investments	
14. Intangible Assets and Goodwill - Net	
15. Secured Affiliate Receivables - Long Term	
16. Unsecured Affiliate Receivables - Past Due	
17. Aggregate Write-Ins for Other Assets	585,681
18. TOTAL OTHER ASSETS (Items 12 to 17)	635,681
<b>PROPERTY AND EQUIPMENT</b>	
19. Land, Building and Improvements	0
20. Furniture and Equipment - Net	63,837
21. Computer Equipment - Net	4,981
22. Leasehold Improvements -Net	
23. Construction in Progress	0
24. Software Development Costs	0
25. Aggregate Write-Ins for Other Equipment	0
26. TOTAL PROPERTY AND EQUIPMENT (Items 19 to 25)	68,818
27. TOTAL ASSETS	17,774,961
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 10 FOR CURRENT ASSETS</b>	
1001. Deferred Tax Asset - ST	340,004
1002.	
1003.	
1004.	
1098. Summary of remaining write-ins for Item 10 from overflow page	
1099. TOTALS (Items 1001 thru 1004 plus 1098)	340,004
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 17 FOR OTHER ASSETS</b>	
1701. Deferred Tax Asset - Long Term	495,358
1702. Other Assets	90,323
1703.	
1704.	
1798. Summary of remaining write-ins for Item 17 from overflow page	
1799. TOTALS (Items 1701 thru 1704 plus 1798)	585,681
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 25 FOR OTHER EQUIPMENT</b>	
2501.	
2502.	
2503.	
2504.	
2598. Summary of remaining write-ins for Item 25 from overflow page	
2599. TOTALS (Items 2501 thru 2504 plus 2598)	0

## STATEMENT AS OF 12-31-2003 OF 933-0100 PacifiCare Dental

## REPORT #1 ---- PART B: LIABILITIES AND NET WORTH

1	2	3	4
<b>CURRENT LIABILITIES:</b>	Current Period		
	Contracting	Non-Contracting	Total
1. Trade Accounts Payable	181,212	XXX	181,212
2. Capitation Payable		XXX	0
3. Claims Payable (Reported)	83,963	16,511	100,474
4. Incurred But Not Reported Claims	450,280	88,547	538,827
5. POS Claims Payable (Reported)			0
6. POS Incurred But Not Reported Claims			0
7. Other Medical Liability			0
8. Unearned Premiums	3,659,039	XXX	3,659,039
9. Loans and Notes Payable		XXX	0
10. Amounts Due To Affiliates - Current	3,156,097	XXX	3,156,097
11. Aggregate Write-Ins for Current Liabilities	984,834	0	984,834
12. TOTAL CURRENT LIABILITIES (Items 1 to 11)	8,515,425	105,058	8,620,483
<b>OTHER LIABILITIES:</b>			
13. Loans and Notes Payable (Not Subordinated)		XXX	0
14. Loans and Notes Payable (Subordinated)		XXX	0
15. Accrued Subordinated Interest Payable		XXX	0
16. Amounts Due To Affiliates - Long Term		XXX	0
17. Aggregate Write-Ins for Other Liabilities	467,472	XXX	467,472
18. TOTAL OTHER LIABILITIES (Items 13 to 17)	467,472	XXX	467,472
19. TOTAL LIABILITIES	8,982,897	105,058	9,087,955
<b>NET WORTH</b>			
20. Common Stock	XXX	XXX	2,121
21. Preferred Stock	XXX	XXX	
22. Paid In Surplus	XXX	XXX	
23. Contributed Capital	XXX	XXX	
24. Retained Earnings (Deficit)/Fund Balance	XXX	XXX	8,684,885
25. Aggregate Write-Ins for Other Net Worth Items	XXX	XXX	0
26. TOTAL NET WORTH (Items 20 to 25)	XXX	XXX	8,687,006
27. TOTAL LIABILITIES AND NET WORTH	XXX	XXX	17,774,961
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 11 FOR CURRENT LIABILITIES</b>			
1101. Commissions	244,948		244,948
1102. Compensation	652,838		652,838
1103. Deferred Income Taxes	87,048		87,048
1104.			0
1198. Summary of remaining write-ins for Item 11 from overflow page			0
1199. TOTALS (Items 1101 thru 1104 plus 1198)	984,834	0	984,834
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 17 FOR OTHER LIABILITIES</b>			
1701. Deferred Income Taxes - Long Term	467,472	XXX	467,472
1702.		XXX	0
1703.		XXX	0
1704.		XXX	0
1798. Summary of remaining write-ins for Item 17 from overflow page		XXX	0
1799. TOTALS (Items 1701 thru 1704 plus 1798)	467,472	XXX	467,472
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 25 FOR OTHER NET WORTH ITEMS</b>			
2501.	XXX	XXX	
2502.	XXX	XXX	
2503.	XXX	XXX	
2504.	XXX	XXX	
2598. Summary of remaining write-ins for Item 25 from overflow page	XXX	XXX	
2599. TOTALS (Items 2501 thru 2504 plus 2598)	XXX	XXX	0

## STATEMENT AS OF 12-31-2003 OF 933-0100 PacifiCare Dental

## REPORT #2: REVENUE, EXPENSES AND NET WORTH

	1
	Year-To-Date
<b>REVENUES:</b>	
1. Premiums (Commercial)	32,870,743
2. Capitation	
3. Co-payments, COB, Subrogation	
4. Title XVIII - Medicare	11,031,633
5. Title XIX - Medicaid	
6. Fee-For-Service	
7. Point-Of-Service (POS)	
8. Interest	129,754
9. Risk Pool Revenue	
10. Aggregate Write-Ins for Other Revenues	0
11. TOTAL REVENUE (Items 1 to 10)	44,032,130
<b>EXPENSES:</b>	
<b>Medical and Hospital</b>	
12. Inpatient Services - Capitated	
13. Inpatient Services - Per Diem	
14. Inpatient Services - Fee-For-Service/Case Rate	
15. Primary Professional Services - Capitated	14,454,062
16. Primary Professional Services - Non-Capitated	6,815,191
17. Other Medical Professional Services - Capitated	
18. Other Medical Professional Services - Non-Capitated	418,069
19. Non-Contracted Emergency Room and Out-of-Area Expense, not including POS	33,628
20. POS Out-Of-Network Expense	
21. Pharmacy Expense -- Capitated	
22. Pharmacy Expense - Fee-For-Service	
23. Aggregate Write-Ins for Other Medical and Hospital Expenses	144,668
24. TOTAL MEDICAL AND HOSPITAL (Items 12 to 23)	21,865,618
<b>Administration</b>	
25. Compensation	3,814,044
26. Interest Expense	
27. Occupancy, Depreciation and Amortization	111,462
28. Management Fees	
29. Marketing	2,279,436
30. Affiliate Administration Services	7,899,804
31. Aggregate Write-Ins for Other Administration	1,789,681
32. TOTAL ADMINISTRATION (Items 25 to 31)	15,894,427
33. TOTAL EXPENSES	37,760,045
34. INCOME (LOSS)	6,272,085
35. Extraordinary Item	
36. Provision for Taxes	2,469,128
37. NET INCOME (LOSS)	3,802,957
<b>NET WORTH:</b>	
38. Net Worth Beginning of Period	6,884,049
39. Audit Adjustments	
40. Increase (Decrease) in Common Stock	
41. Increase (Decrease) in Preferred Stock	
42. Increase (Decrease) in Paid in Surplus	
43. Increase (Decrease) in Contributed Capital	
44. Increase (Decrease) in Retained Earnings:	
45. Net Income (Loss)	3,802,957
46. Dividends to Stockholders	-2,000,000
47. Aggregate Write-Ins for Changes in Retained Earnings	0
48. Aggregate Write-Ins for Changes in Other Net Worth Items	0
49. NET WORTH END OF PERIOD (Items 38 to 48)	8,687,006

## STATEMENT AS OF 12-31-2003 OF 933-0100 PacifiCare Dental

## REPORT #2: REVENUE, EXPENSES AND NET WORTH

1	2
	Year-To-Date
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 10 FOR OTHER REVENUES</b>	
1001.	
1002.	
1003.	
1004.	
1005.	
1006.	
1098. Summary of remaining write-ins for Item 10 from overflow page	
1099. TOTALS (Items 1001 thru 1006 plus 1098)	0
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 23 FOR OTHER MEDICAL AND HOSPITAL EXPENSES</b>	
2301. Other Medical Expenses	144,668
2302.	
2303.	
2304.	
2305.	
2306.	
2398. Summary of remaining write-ins for Item 23 from overflow page	
2399. TOTALS (Items 2301 thru 2306 plus 2398)	144,668
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 31 FOR OTHER ADMINISTRATIVE EXPENSES</b>	
3101. Royalties	768,629
3102. Others	1,021,052
3103.	
3104.	
3105.	
3106.	
3198. Summary of remaining write-ins for Item 31 from overflow page	
3199. TOTALS (Items 3101 thru 3106 plus 3198)	1,789,681
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 47 FOR CHANGES IN RETAINED EARNINGS</b>	
4701.	
4702.	
4703.	
4704.	
4705.	
4706.	
4798. Summary of remaining write-ins for Item 47 from overflow page	
4799. TOTALS (Items 4701 thru 4706 plus 4798)	0
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 48 FOR CHANGES OF OTHER NET WORTH ITEMS</b>	
4801.	
4802.	
4803.	
4804.	
4805.	
4806.	
4898. Summary of remaining write-ins for Item 48 from overflow page	
4899. TOTALS (Items 4801 thru 4806 plus 4898)	0

**REPORT #3: STATEMENT OF CASH FLOWS**

1	2
	Year-To-Date
<b>CASH FLOW PROVIDED BY OPERATING ACTIVITIES</b>	
1. Group/Individual Premiums/Capitation	31,997,117
2. Fee-For-Service	
3. Title XVIII - Medicare Premiums	11,031,633
4. Title XIX - Medicaid Premiums	
5. Investment and Other Revenues	129,450
6. Co-Payments, COB and Subrogation	
7. Medical and Hospital Expenses	-22,530,679
8. Administration Expenses	-14,852,767
9. Federal Income Taxes Paid	-2,451,090
10. Interest Paid	
11. NET CASH PROVIDED BY OPERATING ACTIVITIES	3,323,664
<b>CASH FLOW PROVIDED BY INVESTING ACTIVITIES</b>	
12. Proceeds from Restricted Cash and Other Assets	
13. Proceeds from Investments	
14. Proceeds for Sales of Property, Plant and Equipment	
15. Payments for Restricted Cash and Other Assets	
16. Payments for Investments	
17. Payments for Property, Plant and Equipment	
18. NET CASH PROVIDED BY INVESTING ACTIVITIES	0
<b>CASH FLOW PROVIDED BY FINANCING ACTIVITIES:</b>	
19. Proceeds from Paid in Capital or Issuance of Stock	
20. Loan Proceeds from Non-Affiliates	
21. Loan Proceeds from Affiliates	
22. Principal Payments on Loans from Non-Affiliates	
23. Principal Payments on Loans from Affiliates	
24. Dividends Paid	-2,000,000
25. Aggregate Write-Ins for Cash Provided by Financing Activities	0
26. NET CASH PROVIDED BY FINANCING ACTIVITIES	-2,000,000
27. NET INCREASE (DECREASE) IN CASH (Items 11, 18 & 26)	1,323,664
28. CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	14,552,816
29. CASH AND CASH EQUIVALENTS AT END OF THE YEAR	15,876,480
<b>RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
30. Net Income	3,802,957
<b>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</b>	
31. Depreciation and Amortization	19,149
32. Decrease (Increase) in Receivables	31,131
33. Decrease (Increase) in Prepaid Expenses	-129,796
34. Decrease (Increase) in Affiliate Receivables	1,217,133
35. Increase (Decrease) in Accounts Payable	-108,488
36. Increase (Decrease) in Claims Payable and Shared Risk Pool	-480,075
37. Increase (Decrease) in Unearned Premium	-904,757
38. Aggregate Write-Ins for Adjustments to Net Income	-123,285
39. TOTAL ADJUSTMENTS (Items 31 through 38)	-478,988
40. NET CASH PROVIDED BY OPERATING ACTIVITIES (Item 30 adjusted by Item 39 must agree to Item 11)	3,323,969
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 25 FOR CASH FLOW PROVIDED BY FINANCING ACTIVITIES</b>	
2501.	
2502.	
2503.	
2598. Summary of remaining write-ins for Item 25 from overflow page	
2599. TOTALS (Items 2501 thru 2503 plus 2598)	0
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 38 FOR ADJUSTMENTS TO NET INCOME</b>	
3801. Income Taxes	18,038
3802. Capitation	-184,986
3803. Commission	43,663
3898. Summary of remaining write-ins for Item 38 from overflow page	
3899. TOTALS (Items 3801 thru 3803 plus 3898)	-123,285

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**REPORT #4: ENROLLMENT AND UTILIZATION TABLE****TOTAL ENROLLMENT**

1 Source of Enrollment	2 Total Enrollees At End of Previous Period	3 Additions During Period	4 Terminations During Period	5 Total Enrollees at End of Period	6 Cumulative Enrollee Months for Period	Total Member Ambulatory Encounters for Period			10 Total Patient Days Incurred	11 Annualized Hospital Days/1000	12 Average Length of Stay
						7 Physicians	8 Non-Physicians	9 Total			
1. Group (Commercial)	211,645	80,603	87,485	204,763	2,426,765			0		0	
2. Medicare Risk	42,178	13,631	11,132	44,677	524,600			0		0	
3. Medi-Cal Risk				0				0			
4. Individual	94,951	21,290	27,553	88,688	1,055,778			0		0	
5. Point of Service				0				0			
6. Aggregate write-ins for Other	0	0	0	0	0	0	0	0	0		
7. Total Membership	348,774	115,524	126,170	338,128	4,007,143	0	0	0	0	0	
DETAILS OF WRITE-INS AGGREGATED AT ITEM 6 FOR OTHER SOURCES OF ENROLLMENT											
601. Small Group				0				0			
602. Healthy Families				0				0			
603. AIM				0				0			
604. Medicare Cost				0				0			
605. ASO				0		N/A	N/A	N/A	N/A	N/A	N/A
606. PPO				0				0			
607.				0				0			
608.				0				0			
609.				0				0			
610.				0				0			
611.				0				0			
612.				0				0			
Summary of remaining write-ins for											
698. Item 6 from overflow page				0				0			
Totals (lines 601 through 612 plus											
699. 698) (Line 6 above)	0	0	0	0	0	0	0	0	0		

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**SCHEDULE A-1 (CASH)**

1	2	3
Name of Depository (List all accounts even if closed during the period)	Account Number	Balance*
1. Fleet	000-087-1691	5,065,718
2. Wells Fargo Bank	443-9824046	143,528
3. Wells Fargo	415-9362029	12,376
4. The Bank of New York (Delaware)	300954575	-487,861
5. JP Morgan Funds	5015351	11,142,719
6.		
7.		
8.		
9. Total Cash on Deposit		15,876,480
10. Cash on Hand (Petty Cash)		
11. Total Cash on Hand and on Deposit (Report #1, Part A, Line 1)		15,876,480

**SCHEDULE A-2 RESTRICTED ASSETS**

1	2	3
Name of Depository (List all accounts even if closed during period)	Account Number	Balance*
12.		
13.		
14.		
15.		
16.		
17.		
18.		
19. Total Restricted Assets		0

\* Indicate the Balance Per the HMO's Records

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**SCHEDULE B - INVESTMENTS**

Individually list investments with account balances greater than 2% of total (short-term and long-term) investments.

1	2	3	4	5	6	7	8	9	10	11
CUSIP Identification	Description	(S)= Stock (B)= Bonds (O)=Other	Date Acquired	Maturity Date	Par Value (Bonds) or No. Shares (Stock)	Income Earned	Market Value	Cost	Total Short-Term Investments	Total Long-Term Investments
1.	NONE									
2.										
3.										
4.										
5.										
6.										
7.										
8.										
9.										
10.										
11.										
12.										
13.										
14.										
15.										
16.										
17.										
18.										
19.										
20.										
21.										
22.										
23.										
24.										
25.										
26.										
27.										
28.										
29. TOTAL INVESTMENTS		XXX	XXX	XXX	XXX	XXX	XXX	XXX	0	0

## STATEMENT AS OF 12-31-2003 OF 933-0100 PacifiCare Dental

**SCHEDULE C - PREMIUMS RECEIVABLE (Other than Affiliates)**

Individually list all debtors (commercial only) with account balances greater than 5% of gross Premiums Receivable. Group the total of all other premium receivables and enter the total on the line titled, "Aggregate Accounts Not Individually Listed."

	1 Name of Debtor	2 1-30 Days	3 31-60 Days	4 61-90 Days	5 Over 90 Days	6 Total
1.	Pac Advantage	68,820	30,531	8,122		107,473
2.	Pechanga Entertainment	27,577	25,125	24,628		77,330
3.	The Boeing Co (McDonnell Douglas Ret.)	22,183	16,114	15,523		53,820
4.						0
5.						0
6.						0
7.						0
8.						0
9.						0
10.						0
11.						0
12.						0
13.						0
14.						0
15.						0
16.						0
17.						0
18.						0
19.						0
20.						0
21.						0
22.						0
23.						0
24.						0
25.						0
26.						0
27.						0
28.						0
29.						0
30.						0
31.						0
32.						0
33.						0
34.						0
35.						0
36.						0
37.						0
38.						0
39.						0
40.						0
41.						0
42.						0
43.						0
44.						0
45.						0
46.						0
47.						0
48.						0
49.						0
50.						0
51.						0
52.						0
53.						0
54.	Aggregate Accounts Not Individually Listed					0
55.	Total	118,580	71,770	48,273	0	238,623

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## STATEMENT AS OF 12-31-2003 OF 933-0100 PacifiCare Dental

**SCHEDULE D**  
**HEALTH CARE RECEIVABLES &**  
**AMOUNTS DUE FROM PARENT, SUBSIDIARIES, AND AFFILIATES**

Individually list all debtors with account balances greater than 10% of gross Receivables. Group the total of all other receivables and enter the total on the line titled, "Aggregate Accounts Not Individually Listed."

	1 Name of Debtor	2 1-30 Days	3 31-60 Days	4 61-90 Days	5 Over 90 Days	6 Total
1.	PacifiCare of California				26,772	26,772
2.	PacifiCare of Nevada	28,930	28,184			57,114
3.						0
4.						0
5.						0
6.						0
7.						0
8.						0
9.						0
10.						0
11.						0
12.						0
13.						0
14.						0
15.						0
16.						0
17.						0
18.						0
19.						0
20.						0
21.						0
22.						0
23.						0
24.						0
25.						0
26.						0
27.						0
28.						0
29.						0
30.						0
31.						0
32.						0
33.						0
34.						0
35.						0
36.						0
37.						0
38.						0
39.						0
40.						0
41.						0
42.						0
43.						0
44.						0
45.						0
46.						0
47.						0
48.						0
49.						0
50.						0
51.						0
52.						0
53.						0
54.	Aggregate Accounts Not Individually Listed					0
55.	Total	28,930	28,184	0	26,772	83,886

\*\*

**SCHEDULE E - PROPERTY & EQUIPMENT - NET**

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Description, Address, and Date Acquired	Cost	Improvements	Accumulated Depreciation	Book Value (Columns 2+3-4)
Land:				
1.	0	0	0	0
2.	0	0	0	0
3.	0	0	0	0
<b>4. TOTAL LAND</b>	0	0	0	0
Building & Improvements:				
5.	0	0	0	0
6.	0	0	0	0
7.	0	0	0	0
<b>8. TOTAL BUILDING &amp; IMPROVEMENTS</b>	0	0	0	0
Construction in Progress:				
9.	0	0	0	0
10.	0	0	0	0
11.	0	0	0	0
<b>12. TOTAL CONSTRUCTION IN PROGRESS</b>	0	0	0	0
13. Furniture & Equipment (Totals Only):	574,003		510,166	63,837
14. Computer Equipment (Totals Only):	34,733		29,752	4,981
15. Software Development Costs (Totals Only):				0
Other:				
16.	0	0	0	0
17.	0	0	0	0
18.	0	0	0	0
19.	0	0	0	0
20.	0	0	0	0
21.	0	0	0	0
22.	0	0	0	0
23.	0	0	0	0
<b>24. TOTAL OTHER</b>	0	0	0	0
<b>25. GRAND TOTALS</b>	608,736	0	539,918	68,818

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## STATEMENT AS OF 12-31-2003 OF 933-0100 PacifiCare Dental

**SCHEDULE F - ACCOUNTS PAYABLE**

Individually list all creditors with account balances greater than 5% of total trade accounts payable. Group the total of all other payables and enter the total on the line titled, "Aggregate Accounts Not Individually Listed - Due." Report accounts payable from the initial date of billing or due date under contract.

	1 Name of Debtor	2 1-30 Days	3 31-60 Days	4 61-90 Days	5 91-120 Days	6 Over 120 Days	7 Total
1.	NONE						0
2.							0
3.							0
4.							0
5.							0
6.							0
7.							0
8.							0
9.							0
10.							0
11.							0
12.							0
13.							0
14.							0
15.							0
16.							0
17.							0
18.							0
19.							0
20.							0
21.							0
22.							0
23.	Aggregate Accounts Not Individually Listed - Due						0
24.	Total	0	0	0	0	0	0

\*\*



**SCHEDULE G - UNPAID CLAIMS ANALYSIS****SECTION I - CLAIMS UNPAID**

Type of Claim	1 Reported Claims in Process of Adjustment	2 Estimated Incurred but Unreported	3 Total - Unpaid Claims (Columns 4+5 of Section II)
1. Inpatient Claims			0
2. Physician Claims	83,963	450,280	534,243
3. Referral Claims	16,511	88,547	105,058
4. Other Medical			0
5. TOTAL	100,474	538,827	639,301

**SECTION II - ANALYSIS OF CLAIMS UNPAID - PREVIOUS YEAR (FILE ANNUAL ONLY)**

1 Type of Claim	Claims Paid During the Fiscal Year		Unpaid Claims During the Fiscal Year		6 Total Claims (Paid and Unpaid) for the Previous Fiscal Year (2+4)	7 Estimated Liability of Unpaid Claims Prior to the first day of the Prior Year
	2 On Claims Incurred Prior to the first day of the Current Fiscal Year	3 On Claims Incurred During the Fiscal Year	4 On Claims Unpaid Prior to the first day of the Previous Fiscal Year	5 On Claims Incurred During the Year		
6. Inpatient Claims					0	
7. Physician Claims	2,135,962	3,239,933		534,243	2,135,962	
8. Referral Claims	867,760	3,243,876		105,058	867,760	
9. Other Medical					0	
10. TOTAL	3,003,722	6,483,809	0	639,301	3,003,722	0

**SECTION III - INVENTORY OF CLAIMS TO BE PROCESSED\***

1 Month Ending	2 Beginning Balance Number of Claims in inventory on the 1st of each month	3 Add - Claims Received during the month	4 Deduct - Claims paid during the month	5 Deduct - Claims denied during the month	6 Add/Deduct - Adjustments	7 Ending Balance Number of claims in inventory at the end of the month
11. January 31, 2003	1,927	4,124	3,616	341	-165	1,929
13. February 28, 2003	1,929	3,242	3,791	274	910	2,016
14. March 31, 2003	2,016	3,938	3,986	265	352	2,055
15. April 30, 2003	2,055	4,056	4,480	356	642	1,917
16. May 31, 2003	1,917	4,089	4,792	346	261	1,129
17. June 30, 2003	1,129	4,060	4,884	369	151	87
18. July 31, 2003	87	4,267	3,914	398	430	472
19. August 31, 2003	472	3,980	3,898	306	380	628
20. September 30, 2003	628	3,844	3,582	642	479	727
21. October 31, 2003	727	4,179	4,200	717	655	644
22. November 30, 2003	644	3,637	4,200	621	1,291	751
23. December 31, 2003	751	3,761	4,016	308	485	673

\* Describe any significant changes reported on Schedule G, Section III in the Supplemental Schedule (Page 2).

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**STATEMENT AS OF 12-31-2003 OF 933-0100 PacifiCare Dental**

**SCHEDULE H - AGING OF ALL CLAIMS**

Age all claims on hand at the end of each month. Use the date of receipt to determine the number of days the claims is outstanding. The amount reported in Column 6 should equal the amount Reported on Schedule G, Section III, Column 7.

	1	2	3	4	5	6
	Month Ending	1-30 Days	31-60 Days	61-90 Days	Over 90 Days	Total
1.	January 31, 2003	1,929				1,929
2.	February 28, 2003	2,016				2,016
3.	March 31, 2003	2,055				2,055
4.	April 30, 2003	1,917				1,917
5.	May 31, 2003	1,129				1,129
6.	June 30, 2003	87				87
7.	July 31, 2003	472				472
8.	August 31, 2003	628				628
9.	September 30, 2003	727				727
10.	October 31, 2003	644				644
11.	November 30, 2003	751				751
12.	December 31, 2003	673				673

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**STATEMENT AS OF 12-31-2003 OF 933-0100 PacifiCare Dental**

**SCHEDULE I - ANALYSIS OF TOTAL MEDICAL LIABILITY TO ACTUAL CLAIMS PAID**

Using the Plan's Lag Tables, complete the following table. Provide claim information the current quarter and the previous seven quarters. An actuarial certification may be submitted in lieu of this schedule.

Reported Accrual				
1	2	3	4	5
Quarter Ending Date	Total Medical Liability*	Amount Paid-To-Date	Difference - Column (2-3)	Outstanding Liability (Based on plan's lag
1. December 31, 2003	639,301	XXX	639,301	526,090
2. September 30, 2003	698,532	429,416	269,116	76,533
3. June 30, 2003	689,543	515,344	174,199	25,723
4. March 31, 2003	1,123,573	854,992	268,581	10,955
5. December 31, 2002	1,119,376	772,270	347,106	
6. September 30, 2002	842,530	719,866	122,664	
7. June 30, 2002	861,508	741,619	119,889	
8. March 31, 2002	719,446	836,567	-117,121	

\* Should tie to Report #1, Part B, Column 4, Lines 3 through 7.

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## STATEMENT AS OF 12-31-2003 OF 933-0100 PacifiCare Dental

**SCHEDULE J**  
**LOANS AND NOTES PAYABLE (INCLUDING AFFILIATES)**

List all amounts with balances greater than 10% of gross Payables

	1	2	3	4	5	6	7	8
	Name of Lender	Rate	Principal	Accrued Interest	Total	Current	Non-Current	Compliance with Covenants Y or N
	FINANCIAL INSTITUTIONS:							
1.	NONE				0			
2.					0			
3.					0			
4.					0			
5.					0			
6.					0			
7.					0			
8.					0			
9.					0			
10.					0			
11.					0			
12.					0			
13.					0			
14.					0			
15.					0			
16.					0			
17.					0			
18.					0			
19.					0			
20.					0			
21.					0			
22.					0			
23.					0			
24.	TOTAL FINANCIAL INSTITUTIONS	XXX	0	0	0	0	0	XXX
	OTHER LENDERS:							
25.					0			
26.					0			
27.					0			
28.					0			
29.					0			
30.					0			
31.					0			
32.					0			
33.					0			
34.					0			
35.					0			
36.					0			
37.					0			
38.					0			
39.					0			
40.					0			
41.					0			
42.					0			
43.					0			
44.					0			
45.					0			
46.					0			
47.					0			
48.					0			
49.					0			
50.					0			
51.					0			
52.	TOTAL OTHER LENDERS	XXX	0	0	0	0	0	XXX

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## STATEMENT AS OF 12-31-2003 OF 933-0100 PacifiCare Dental

**SCHEDULE K - SUMMARY OF HMO'S TRANSACTIONS WITH ANY AFFILIATES**

Include the aggregate of transactions, for the reporting period, within each category involving the parent company (companies), all insurance companies in the Holding Company System, and all other companies in the system with which an insurance company or HMO member had a transaction. Exclude: transactions of a non-insurer with an insurance company or HMO that are of a routine nature (i.e., the purchase of insurance coverage) and cost allocation transactions that are based upon generally accepted accounting principles.

1	2	3	4	5	6	7	8	9	10
Federal ID Number	Names of HMOs and Parent, Subsidiaries or Affiliates	Shareholder Dividends	Capital Contributions	Purchases, Sales or Exchanges of Loans, Securities, Real Estate, Mortgage Loans, or Other Investments	Income/ (Disbursements) Incurred In Connection with Guarantees or Undertakings for the Benefit of any Affiliate(s)	Management Agreements and Service Contracts	Income/ (Disbursements) Incurred Under Reinsurance Agreements	Any Other Material Activity not in the Ordinary Course of the Insurer's HMO Business	Total
1. 35-1508167	PDA-BILLING & ACCOUNTING SERVICES					-7,023,713			-7,023,713
2. 35-1137395	PLH-ROYALTY FEES					-768,629			-768,629
3.									0
4.									0
5.									0
6.									0
7.									0
8.									0
9.									0
10.									0
11.									0
12.									0
13.									0
14.									0
15.									0
16.									0
17.									0
18.									0
19. TOTALS		0	0	0	0	-7,792,342	0	0	-7,792,342

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1	
NOTES TO FINANCIAL STATEMENTS	
1.	See audited financial statements
2.	
3.	
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**OVERFLOW PAGE FOR WRITE-INS**

1. The IBNR accrual estimates are developed from historical claims paid data using lag development tables
2. and restated membership, using the following process:
- 3.
4. (1) Lines of business are determined by considering the state or broad market, the product (usually Comm-
5. ercial or Secure Horizons), the network (method of reimbursing providers) and the member benefits.
- 6.
7. (2) Paid Claims are aggregated by line of business into a triangle form based on incurred and paid dates.
- 8.
9. (3) Successive durational 3-month, 6-month, and 12-month and middle-4 sums are used to generate lag
10. factors.
- 11.
12. (4) Lag factors are applied to paid dollars by incurred date to get the ultimate incurred estimate by in-
13. curred month.
- 14.
15. (5) Ultimate incurred values are divided by restated membership to get the estimated ultimate claims per
16. member per incurred month (PMPM).
- 17.
18. (6) Because the most recent months are not statistically valid, an average of prior PMPMs is used.
- 19.
20. (7) The standard calculation for the most recent 2 incurred months PMPM values is to use the average
21. of 6 months PMPMs throwing out the low and high values in the incurred months 3 through 10 with
22. judgement applied as required.
- 23.
24. (8) PMPMs for the most recent 2 incurred months based on historical PMPMs are multiplied by member-
25. ship to get the estimated ultimate incurred.
- 26.
27. (9) Ultimate incurreds are trended forward from the mid-point of the averaging period at 5% annual trend
28. when determining the plug months PMPMs.
- 29.
30. (10) IBNR by incurred month is calculated by taking the estimated ultimate incurred for each incurred
31. month less the paid claims to date for that incurred month. Total IBNR is the sum of the IBNR by
32. incurred month.
- 33.
34. (11) Any other factors that may in the actuary's judgement affect the estimate of reserves may be
35. incorporated into the models.
- 36.
- 37.
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**GENERAL INTERROGATORIES**

	1	2
1. Has any change been made since the last reporting date in the charter, articles of incorporation, by-laws, or contracts with physicians, hospitals or subscribers where submission is required by a state regulation? If "Yes," attach current copies of the documents, if they have not been previously submitted.	No <input type="button" value="v"/>	
2. Is the Reporting Entity authorized to conduct business in other states? If "Yes", list all states which the Reporting Entity is authorized to conduct business:	No <input type="button" value="v"/>	
3. State the name of the regulatory agency and state as of what date the latest financial examination of the Reporting Entity was made or is being made.	California Department of Managed Health Care December 31, 2002	
4. State the name of the regulatory agency and the date of the latest financial examination report that is available from other regulatory agencies. This date should be the date of the examined balance sheet and not the date the report was completed or released.	N/A	
5. State the name of the regulatory agency and state as of what date the latest financial examination report became available to other states or the public from other regulatory agencies. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).	N/A	
6. Is the Reporting Entity directly or indirectly owned or controlled by any other company, corporation, group of companies, partnership, or individual?	Yes <input type="button" value="v"/>	
7. Does the Reporting Entity have an established procedure for annual disclosure to its Board of Directors of any material interest or affiliation on the part of any of its officers, directors, or responsible employees, which is in, or is likely to, conflict with the official duties of such person?	Yes <input type="button" value="v"/>	
8. Did any officer, director, shareholder, or salaried employee of the Reporting Entity receive, directly or indirectly, any commission on the business transactions of the Reporting Entity? If "Yes," give particulars:	No <input type="button" value="v"/>	
9. Was money loaned during the period covered by this report to any officer, director, or shareholder of the Reporting Entity? If "Yes," give detailed explanation of each loan:	No <input type="button" value="v"/>	
10. Are officers and employees of the Reporting Entity covered by a fidelity bond? If "Yes," give name of surety company and amount of coverage:	Yes <input type="button" value="v"/>	National Union Fire Insurance Company. Limit: \$X*million per occurrence / \$Y*million aggregate. Expiration: 4/1/2004
11. Were all the stocks, bonds, and other securities owned as of the reporting period, over which the Reporting Entity has exclusive control, in the actual possession of the Reporting Entity on the said date? If "No," give location:	Yes <input type="button" value="v"/>	
12. Is the purchase or sale of all investments of the Reporting Entity passed upon by either the Board of Directors or a subordinate committee thereof? If "No," state who has the authority:	Yes <input type="button" value="v"/>	
13. Has any present or former officer, director, or any other person or firm any claim of any nature whatsoever against the Reporting Entity which is not included in the financial statements? If "Yes," give details:	No <input type="button" value="v"/>	
14. Have damage claims for medical injury been initiated against the Reporting Entity during the reporting year? If "Yes," provide the following information on any contingent liabilities that will be greater than 1% of required TNE. Include a complete report giving the number and amount of claims broken down into claims with and without formal legal process, and their disposition, if any.	Yes <input type="button" value="v"/>	



## STATEMENT AS OF 12-31-2003 OF 933-0100 PacifiCare Dental

## GENERAL INTERROGATORIES

	1	2
15. Has the Reporting Entity been subject to any administrative orders, cease and desist orders, revocation orders, fines or suspensions by any government entity during the reporting year? If "Yes," give details (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement).	No	
16. Have any other legal actions been taken against the Reporting Entity during the reporting year? If "Yes," attach additional sheets giving full particulars.	No	
17. Does the Reporting Entity have direct professional liability coverage (commonly known as "malpractice")? If the Reporting Entity does not have this coverage, please explain. If "Yes," provide the (1) name of carrier, (2) limits of coverage, and (3) expiration date.	Yes	American Int'l Specialty Lines Ins. Co. \$X*million per occurrence / \$Y*million aggregate. Exp: 3/1/04.
18. Are the providers of the Reporting Entity contractually obligated to maintain professional liability coverage?	Yes	
19. Does the Reporting Entity have general liability insurance coverage? If the Reporting Entity does not have this coverage, please explain. If "Yes," provide the (1) name of carrier, (2) limits of coverage, and (3) expiration date:	Yes	Hartford Insurance Co. \$1 million per occurrence / \$2 million aggregate. Exp: 4/1/04.
20. Does the Reporting Entity have reinsurance (stop-loss) coverage? If the Reporting Entity does not have this coverage, please explain. If "Yes," provide the (1) name of carrier, (2) limits of coverage, and (3) expiration date.	No	
21. Describe arrangements which the Reporting Entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other arrangements.	As required by the Dept. of Managed Health Care, all provider contracts require that the work started must be completed.	
22. Does the Reporting Entity set-up its claims liability for hospital and other medical services on an invoice date basis or a service date basis? (State basis, if both, explain)	Service	
23. Have there been any changes in the information filed with the Department regarding the value of the collateral used to secure affiliate receivables that are being included to calculate Tangible Net Equity as permitted by Rule 1300.76(e). If "yes," give details and indicate if the changes have been filed.	No	
24. Does the Reporting Entity have business subject to implicit or explicit premium rate guarantees? If "Yes," provide (1) the percentage of total revenues that has rate guarantees between 15-36 months and (2) the percentage of total revenues that has rate guarantees over 36 months.	No	
25. Does the Reporting Entity contract with other companies for claims processing services? If "Yes", provide (a) the state(s) that the other companies are domiciled, (2) if the financial status is monitored (if "yes", please explain) and (3) if there is a disaster recovery plan (if "Yes", please explain).	No	

## STATEMENT AS OF 12-31-2003 OF 933-0100 PacifiCare Dental

## GENERAL INTERROGATORIES

<b>List the following capital stock information for the Reporting Entity:</b>						
		1	2	3	4	5
		No. of Shares Authorized	No. of Shares Outstanding	Par or Stated Value Per Share	Dividend Rate	Are Dividends Cumulative?
26.	Common	600,000	102,041	No Par	NA	NA
27.	Preferred					

  

<b>Provide the following information for accounts that are ten (10% or more of the total Reporting Entities enrollment:</b>		
<b>(a) Type of Account - In the table below, describe the account using one of the following terms:</b>		
(1) Federal Employees (2) County and Municipal Employees (3) State Employees (4) Corporate Nonpublic - Service Sector (5) Corporate Nonpublic - Manufacturing (6) Union and Trust Fund (Account contract should be with a union trust fund; do not include accounts for contracts with above categories even if they are unionized) (7) Medicaid (8) Medicare (9) Other		
<b>(b) Percentage of Total Enrollment - Provide the percentage of total enrollment represented by this account.</b>		
<b>(c) Renewal Date - Provide the renewal date (month/day/year) for the account's contract.</b>		
1	2	3
(a) Type of Account	(b) Percentage of Enrollment	(c) Renewal Date
28. (8) Medicare Secure Horizons	13%	12/31/2004
29. (9) Other Commercial & Individual	87%	Various
30.		
31.		
32.		
33.		

  

<b>Provide the following details on reinsurance recoveries and expenses:</b>					
1	2	3	4	5	6
Description of Treaty, Terms, and Name of Carrier	Total Reinsurance Recoveries Received in Current Year	Total Recoveries Receivable or Recoverable for Current Year Claims	Reinsurance Recoveries Receivable for the prior Annual Statement (same as Col 3 in last year's schedule)	Reinsurance Recoveries for Current Year Earnings (Col. 2+3+4)	Reinsurance Premiums
34.				0	
35.				0	
36.				0	
37.				0	
38.				0	
39.				0	
40.				0	

  

41. Does the Reporting Entity directly or indirectly provide guarantees to any other company, corporation, group of companies, partnership, foreign entity, or domestic entity domiciled outside of the jurisdiction of the United States? If "yes", has the change been made since the last reporting date? Please state the changes, if applicable.	No	
42. Does the Reporting Entity directly or indirectly provide reinsurance coverage to any other company, corporation, group of companies, partnership, foreign entity, or domestic entity domiciled outside of the jurisdiction of the United States? If "yes", has any change been made since the last reporting date? Please state the changes, if applicable.	No	
43. Does the Reporting Entity directly or indirectly own at least 10% of the common stocks or control any other company, corporation, group of companies, partnership, foreign entity, or domestic entity domiciled outside of the jurisdiction of the United States? If "yes", has any change been made since the last reporting date? Please state the changes, if applicable.	No	
44. Are the reported or portion of the reported investments or cash held under the name of any other company, corporation group of companies, or partnership?	No	

## STATEMENT AS OF 12-31-2003 OF 933-0100 PacifiCare Dental

KNOX-KEENE

## SUPPLEMENTAL INFORMATION

PURSUANT TO SECTIONS 1300.84.06, 1300.84.2 AND 1374.68

	1	2	3	4	5
A.	Explanation of the method of calculating the provision for incurred and unreported claims:				
1.					
B.	Accounts and Notes Receivable from officers, directors, owners or affiliates, as detailed below:				
	<u>Name of Debtor</u>	<u>Nature of Relationship</u>	<u>Nature of Receivable</u>	<u>Amount</u>	<u>Terms</u>
2.					
3.					
4.					
5.					
6.					
C.	Donated materials or services received by the reporting entity for the period of the financial statements, as detailed below:				
	<u>Donor's Name</u>	<u>Affiliation with Reporting Entity</u>	<u>Valuation Method</u>	<u>Amount</u>	
7.					
8.					
9.					
10.					
11.					
D.	Forgiven debt or obligations, as detailed below:				
	<u>Creditor's Name</u>	<u>Affiliation with Reporting Entity</u>	<u>Summary of How Obligation Arose</u>	<u>Amount</u>	
12.					
13.					
14.					
15.					
E.	Calculation of Tangible Net Equity (TNE) and Required TNE in accordance with Section 1300.76 of the Rules:				
16.	Net Equity			\$	8,687,006
17.	Add: Subordinated Debt			\$	
18.	Less: Receivables from officers, directors, and affiliates			\$	
19.	Intangibles			\$	
20.	Tangible Net Equity (TNE)			\$	8,687,006
21.	Required Tangible Net Equity (See Page 30)			\$	727,323
22.	TNE Excess (Deficiency)			\$	7,959,683
F.	Percentage of administrative costs to revenue obtained from subscribers and enrollees:				
23.	Revenue from subscribers and enrollees			\$	43,902,376
24.	Administrative Costs			\$	15,894,428
25.	Percentage				36
26.	The amount of health care expenses incurred during the six month period immediately preceding the date of the report which were or will be paid to noncontracting providers or directly reimbursed to subscribers and enrollees:			\$	411,685
27.	Total costs for health care services for the immediately preceding six months:			\$	10,913,052
28.	Percentage				4

G. If the amount of health care expenses incurred during the six month period immediately preceding the date of the report which <u>were or will be</u> paid to noncontracting providers or directly reimbursed to subscribers and enrollees exceeds 10% of the total costs for health care services for the immediately preceding six months, the following information, determined as of the date of the reports, shall be provided:		1
29. Amount of all claims for noncontracting provider services received for reimbursement but not yet processed:	\$	
30. Amount of all claims for noncontracting provider services denied for reimbursement during the previous 45 days:	\$	
31. Amount of all claims for noncontracting provider services approved for reimbursement but not yet paid:	\$	
32. An estimate of the amount of claims for noncontracting provider services incurred, but not reported:	\$	
33. Compliance with Section 1377(a) as determined in accordance with such section, as follows:		
34. Cash & cash equivalents maintained	\$	
35. Noncontracting provider claims (aggregate of total of items 29 - 32 above)	\$	0
36. Cash & cash equivalents reported to be maintained (120% x Line 35)	\$	0
37. Deposit required (100% of Line 36)	\$	0
38. Excess (deficient) reserves (Line 34 - Line 37)	\$	0
Percentage of premium revenue earned from point-of-service plan contracts:		
39. Premium revenue earned from point-of-service plan contracts	\$	
40. Total premium revenue earned	\$	
41. Percentage		0
Percentage of total health care expenditures incurred for enrollees for out-of-network services for point-of-service enrollees:		
42. Health care expenditures for out-of-network services for point-of-service enrollees	\$	
43. Total health care expenditures	\$	
44. Percentage		0
45. Point-of-Service Enrollment at end of period		
Total Ambulatory encounters for period for point-of-service enrollees:		
46. Physician		
47. Non-Physician		
48. Total		0
49. Total Patient Days Incurred for Point-of-Service enrollees		
50. Annualized Hospital Days/1000 for Point-of-Service enrollees		
51. Average Length of Stay for Point of Service enrollees		
52. Compliance with Section 1374.68(a) as follows:		
53. Current Monthly Claims Payable for out-of-network coverage or services provided under Point-of-Service Contracts:	\$	
54. Current monthly incurred but not reported claims balance for out-of-network coverage or services provided under Point-of-Service contracts	\$	
55. Total	\$	0
56. Total times 120%	\$	0
57. Deposit (Greater of Line 56 or minimum of \$200,000)	\$	

**STATEMENT AS OF 12-31-2003 OF 933-0100 PacifiCare Dental**

REQUIRED TANGIBLE NET EQUITY (TNE) CALCULATION:

TNE required must be equal to the GREATER of "A" "B" or "C" below (See Rule 1300.76)

	Full Service Plans		Specialized Plans		
		1		2	
A. Minimum TNE Requirement	\$	1,000,000	Minimum TNE Requirement	\$	50,000
B. REVENUES:					
1. 2% of the first \$150 million of annualized premium revenues	\$		2% of the first \$7.5 million of annualized premium revenue	\$	150,000
Plus			Plus		
2. 1% of annualized premium revenues in excess of \$150 million	\$		1% of annualized premium revenue in excess of \$7.5 million	\$	364,024
3. Total	\$	0	Total	\$	514,024
C. HEALTHCARE EXPENDITURES:					
4. 8% of the first \$150 million of annualized health care expenditures, except those paid on a capitated or managed hospital basis.	\$		8% of the first \$7.5 million of annualized health care expenditures, except those paid on a capitated or managed hospital basis.	\$	559,479
Plus			Plus		
5. 4% of annualized health care expenditures in excess of \$150 million except those paid on a capitated or managed hospital payment basis.	\$		4% of annualized health care expenditures in excess of \$7.5 million except those paid on a capitated or managed hospital payment basis.	\$	
Plus			Plus		
6. 4% of the annualized hospital expenditures paid on a managed hospital payment basis.	\$		4% of the annualized hospital expenditures paid on a managed hospital payment basis.	\$	
7. Total	\$	0	Total	\$	559,479
8. Required "TNE" - Greater of "A" "B" or "C"	\$		Required "TNE" - Greater of "A" "B" or "C"	\$	

**KNOX -KEENE**  
**SUPPLEMENTAL INFORMATION**  
**PURSUANT TO SECTIONS 1374.64**

**POINT OF SERVICE "ADJUSTED" TANGIBLE NET EQUITY CALCULATION**

Calculation of Tangible Net Equity and required Tangible Net Equity in accordance with Section 1374.64:

	1
1. Net Equity	\$ 8,687,006
2. Add: Subordinated Debt	\$
3. Less: Receivables from officers, directors, and affiliates	\$
4. Intangibles	\$
5. Tangible Net Equity (TNE)	\$ 8,687,006
6. Required Tangible Net Equity (From Line 10 or 13 below)	\$
7. TNE Excess (Deficiency)	\$ 8,687,006
ADJUSTED REQUIRED MINIMUM TANGIBLE NET EQUITY CALCULATION:	
<b>I. Plan is required to have and maintain TNE as required by Rule 1300.76 (a)(1) or (2):</b>	
8. Minimum TNE as calculated under Rule 1300.76 (a)(1) or (2)	\$
9. 10% of annualized health care expenditures for out-of-network service for point-of-service enrollees	\$
10. Add lines 8 and 9	\$ 0
<b>II. Plan is required to have and maintain TNE as required by Rule 1300.76 (a)(3):</b>	
<b>PART A</b>	
11. Minimum TNE as recalculated to exclude annualized healthcare expenditures for out-of-network services for point-of-service enrollees (attach worksheet Page 32)	\$
12. 10% of annualized health care expenditures for out-of-network services for point-of-service enrollees	\$
13. Add lines 11 and 12	\$ 0
<b>III. MINIMUM TNE REQUIREMENT TO DETERMINE MONTHLY REPORTING</b>	
14. Line 5 (above)	\$ 8,687,006
15. Multiply Line 6 (above) by 130%	\$ 0
16. Difference (Line 14 - Line 15)	\$
<b>If Line 14 is less than Line 15, then monthly reporting is require</b>	<b>\$ 8,687,006</b>

## STATEMENT AS OF 12-31-2003 OF 933-0100 PacifiCare Dental

**WORKSHEET FOR ADJUSTED TANGIBLE NET EQUITY CALCULATION**

	1 Full Service Plans	2 Specialized Plans
1. Health care expenditures for period	\$ <input type="text"/>	\$ <input type="text"/>
Less:		
2. Capitated or managed hospital payment basis expenditures	<input type="text"/>	<input type="text"/>
3. Health care expenditures for out-of-network services for point-of-service enrollees	<input type="text"/>	<input type="text"/>
4. Result	<input type="text" value="0"/>	<input type="text" value="0"/>
5. Annualized	<input type="text"/>	<input type="text"/>
6. Reduce to maximum of \$150 million	<input type="text"/>	<input type="text"/>
7. Multiply by 8%	\$ <input type="text" value="0"/>	\$ <input type="text" value="0"/>
Plus		
8. Annualized health care expenditures except those paid on a capitated or managed hospital payment basis and excluding health care expenditures for out-of-network services for point-of-service enrollees	\$ <input type="text"/>	\$ <input type="text"/>
9. Less \$150 million	<input type="text"/>	<input type="text"/>
10. Multiply by 4%	\$ <input type="text" value="0"/>	\$ <input type="text" value="0"/>
Plus		
11. Annualized hospital expenditures paid on a managed hospital payment basis and excluding health care expenditures for out-of-network services for point-of-service enrollees	\$ <input type="text"/>	\$ <input type="text"/>
12. Multiply by 4%	\$ <input type="text" value="0"/>	\$ <input type="text" value="0"/>
13. Total	\$ <input type="text" value="0"/>	\$ <input type="text" value="0"/>

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